FISCAL NOTE

Bill #:	HB0641	**Title:**	Plant closure impacts
Primary Sponsor:	Monica Lindeen	**Status:**	As Introduced

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Sponsor signature Date Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY2002 Difference	FY2003 Difference
Expenditures:		
State Special Revenue	$4,124,000	$4,124,000
Revenue:		
State Special Revenue	$4,124,000	$4,124,000
Net Impact on General Fund Balance:	**$0**	**$0**

Yes	No		Yes	No	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. This bill, referred to as the "Workers and Industries for New Growth Solutions Act" (WINGS), establishes an account in the state special revenue fund called the "workers and industries for new growth solutions account". An assessment equal to 0.10% of all taxable wages provided for in 39-51-1108 levied against all experience-rated employers will be deposited into the account each year the ratio of the balance of the unemployment trust fund to total wages in the last quarter of the previous calendar year is 0.0262 or greater.

The tax rate schedule is computed based on the ratio of the UI Trust Fund balance as of October 31st, prior to the rate year to the total wages in covered employment for the 12-month period ending June 30th, prior to the computation date. The rate schedule is effective beginning January 1st of the following year.

2. This assessment is assumed to generate $4.124 million per year in revenue. Although it is uncertain as to whether the UI tax rate to employers will increase by going to schedule II in calendar years 2002 and 2003, for purposes of this fiscal note, it is assumed that schedule I remains in effect.
3. Under Rate Schedule I, the rate for the average tax rate will decrease by 0.10%.
4. Under Rate Schedule I, the tax rate for WINGS will be 0.10%.
5. Approximately 10% of the UI tax assessed each quarter is not collected.
6. The projected UI Trust Fund Balance as of October 31, 2001, with HB 641 included is $170,582,469 and without HB 641 is $171,877,469.
7. The Job Service Division within the Department of Labor and Industry would be responsible for program oversight. Since the bill does not allow additional staff to administer WINGS, some of the WINGS funds will be used to pay salaries of existing staff.
8. The Department of Revenue has identified $29,051 as one-time-only start-up costs for WINGS, which would occur in fiscal 2002.

FISCAL IMPACT:

	FY2002 Difference	FY2003 Difference
Department of Labor and Industry (66020)		
Expenditures:		
Personal Services	34,403	34,403
Operating Expenses	6,837	6,837
Transfers (to Department of Revenue)	41,124	41,124
Grants	4,041,752	4,041,752
TOTAL	$4,124,000	$4,124,000
Funding:		
State Special Revenue (02)	$4,124,000	$4,124,000
Department of Revenue (58010)		
Expenditures:		
Operating Expenses	$29,051	$0
Funding:		
State Special Revenue (02) (Transfer from DLI)	$29,051	$0
Revenues:		
State Special Revenue (02)	4,124,000	4,124,000
Other (UI Trust Fund)	(4,124,000)	(4,124,000)

Net Impact to Fund Balance (Revenue minus Expenditure):

State Special Revenue (02)	$4,124,000	$4,124,000
Other (UI Trust Fund)	($4,124,000)	($4,124,000)

LONG-RANGE IMPACTS:

1. This proposal reduces the assessment to the unemployment insurance fund between $4 and $5 million per year, and provides for a like assessment to the WINGS account until such time as the ratio of the balance of the unemployment trust fund to total wages is 0.0261 or less.
2. The state Unemployment Insurance rate schedule will automatically compensate for the loss of income in the fund in future years.

TECHNICAL NOTES:

1. Section 12 (3) providing statutory authority is unclear. This section provides statutory authority to Department of Labor and Industry only, yet the Department of Revenue is also mentioned in section 12 (2) to perform functions for the purpose of HB 641. It is usual and customary for administrative functions of departments and grants to non-governmental entities to be biennially appropriated through HB 2.
2. The bill provides for an assessment of 0.1% of *all* taxable wages provided for in 39-51-1108 paid by *all* experience-rated employers. Generally, this is provided for by an offset to current contribution rates provided for in 39-51-1218. However, the contribution rate for rate class 1 employers is 0.00% and the contribution rate for rate class 2 employers is 0.07%. Under this bill these employers would be required to pay an assessment of 0.10% for the WINGS account created in the bill, but currently are either not paying any UI contributions, or are paying at rates less than 0.10%. This would constitute a rate increase for these employers.
3. The bill provides that *all* experience-rated employers are required to pay the 0.10% assessment for the new account (section 11). This would include governmental employers as described in 39-51-1212. The UI contribution rates for these employers are not provided for in statute, but in administrative rules (24.11.608, ARM). Applying the 0.10% assessment for the WINGS account would entail an increase in contributions from these employers, in the absence of any offset against current UI contribution rates for these employers. The bill should specify clearly if the 0.10% assessment for the new account is to apply to governmental employers or not.
4. Federal law requires that employers new to the system must be assigned a rate no less than 1 percent. If any new employers actually have a rate of 1% the additional assessment of 0.10% for the WINGS account would constitute an increase in payments for these employers.
5. Section 13 of the bill provides that the "state treasurer" shall transfer an amount equal to 99% of the assessment collected no later than 45 days following the end of each calendar quarter. First, this should read that "the Department of Revenue" should be making the transfer. Second, 45 days is not sufficient time to make this transfer because the majority of employers do not file their returns until 30 or 31 days after the end of the quarter. This leaves 15 calendar days for the Department of Revenue to process these filings and make the transfer, which is not sufficient time for this processing activity. The Department of Revenue believes that 60 days would be sufficient time to make the timely transfer of these funds.
6. Section 12(3), does not allow the Department of Labor and Industry to increase staffing levels to administer sections 1 through 13. The department cannot administer a $4.1 million program without staff. In performing similar program oversight, the Job Service Division retains 5% of Workforce Investment Act

funds for program coordination and administration with the state workforce investment act board as outlined in section 4. The department's role in sections 1 through 13 includes administration, coordination, establishment of performance standards and monitoring of the program for results and performance. Considering that some systems are in place, an estimated administration rate would be at least 3% during the first year and 2.5% each additional year of program operation.

7. Since language in sections 4 and 5 mirrors language in HB 87, a coordination language is appropriate.
8. In section 15, Rate Schedules, the text of the bill does not change the rate for Rate Class 10 for deficit employers.